



## **BOARD OF DIRECTORS MEETING**

2 February 2018 Meeting Minutes

APPROVED

**Board Members Present:** Cathy McClain '82, Chair; Ginny Caine Tonneson '80, Secretary; Jack Fry '67, Treasurer; Hans Mueh '66; Larry New '76; Robert Munson '73; Steve Mueller '79; Frank Gorenc '79; Tamra Rank '83; Kathleen Rock '98; Emma Przybyslawski '10; Garry Dudley '68, President, Class Advisory Senate.

**Board Members Absent:** Wally Moorhead '69, Vice Chair; Will Gunn '80.

**AOG Staff Present:** Marty Marcolongo '88, President and CEO; Gary Howe '69, Executive Vice President; Alton Parrish, CFO and Senior Vice President for Finance; Bob McAllister Senior Vice President for Communications; Corrie Grubbs, Senior Vice President, Business Operations; Emma Ross, Executive Assistant; Johnny Bollman, Help Desk Specialist; Steve Simon, Vice President, Academy and Non-profit Relationships.

**Members and Guests Present:** Brig Gen Andrew Armacost, USAFA Dean; Jennifer Bateman, USAFA Endowment Vice President for Development; Lt Col Kevin McCaskey; Lt Col Dave Caswell; Dr. Steve Jones.

**Members and Guests Present via Teleconference:** Glenn Strebe '87; Mark Rosenow '03.

### **I. Call to Order/Chairman's Welcome**

Chair McClain called the meeting to order at 8:30 a.m. MST, Friday, 2 February 2018.

MOTION: Director Tonneson moved and Director Mueller seconded that the agenda be approved as is. The motion passed unanimously.

### **II. Chair's Comments**

Chair McClain gave a brief overview of the items to be covered during the meeting and that we would be going into executive session at the beginning of the meeting, rather than at the end. She also mentioned that this was EVP Gary Howe's last Board meeting and thanked him for his long service to the AOG.

### **III. Consent Agenda**

The consent agenda included the 1 December 2017 Meeting Minutes (Attachment 1). The consent agenda was approved with no comments.

#### **IV. Executive Session**

The Board went into executive session IAW Bylaws Article V Section 8 at 8:33 a.m. MST.

MOTION: Director Rank moved and Director Rock seconded that the AOG refine the current Single CEO Agreement in conjunction with the Endowment. This is to prepare us for a Bylaws vote in February 2019.

MOTION TO AMEND #1: Director New moved and Director Rank seconded to amend the second sentence to read: This is to prepare the two organizations to launch a joint campaign for a Bylaws vote in February 2019.

MOTION TO AMEND #2: Director New moved and Director Rock seconded to amend the second sentence to read: This is to prepare us to launch a campaign for a successful Bylaws vote in February 2019.

MOTION TO AMEND #3: Director Fry moved and Director Munson seconded to amend the date to 2021. The motion did not pass with a vote of 3 for (Directors Rosenow, Fry, and Munson) and 11 against.

The MOTION TO AMEND #2 was then passed by a vote of 12 for and 2 against (Directors Fry and Rosenow). The Board then voted on the amended original motion which reads: Director Rank moved and Director Rock seconded that the AOG refine the current Single CEO Agreement in conjunction with the Endowment. This is to prepare us to launch a campaign for a successful Bylaws vote in February 2019. The motion passed with a vote of 13 for and 1 against (Director Munson).

MOTION: Chair McClain moved and Director Rock seconded establishing a Single CEO Task Force consisting of Director Moorhead, Director Rank, Director Strebe, and CEO Marcolongo.

MOTION TO AMEND: Director Fry moved and Director Munson seconded to amend the list to add Director Fry. The motion to amend did not pass by a vote of 2 for (Directors Fry and Munson), 11 against, and 1 abstention. The original motion was then passed by a vote of 12 for and 2 against (Directors Fry and Munson).

MOTION: Chair McClain moved and Director Mueh seconded that we form a Communication Task Force consisting of Director Przybyslawski (chair), Director Rock, Director Rosenow, Director Rank, and Director Dudley to help prepare a compelling case, slogan, and summary of case. The motion passed unanimously.

MOTION: Director Mueh moved and Director Mueller seconded that an individual be made an AOG Honorary Member. The motion was not unanimously passed, so the individual was not approved. (A 2012 Board-approved motion states that votes for AOG Honorary Members are conducted by secret ballot, so the exact vote count will not be listed.)

## **V. Open Session**

The Board went into open session at 1:00. p.m. MST

## **VI. Presentation by the Dean, Brig Gen Armacost**

Brig Gen Armacost, the USAFA Dean, gave the Board a presentation on cyber at USAFA to include a discussion about academics (cyber program), outreach (local K-12 schools), research and development (cyber security and other uses), and public-private partnering and design. He talked about the new cyber building, and Jennifer Bateman, the USAFA Endowment Vice President for Development, spoke about the Endowment's effort to raise additional money for the project. Brig Gen Armacost talked about academics, including the USAFA institutional outcomes, core curriculum, academic majors, and cadet opportunities. They are tying the USAFA institutional outcomes (e.g., critical thinking, clear communication, scientific reasoning) with specific courses. The AOG can help him by getting the message out through the graduate community and their partners about the great things happening at the Academy.

## **VII. USAFA Endowment Update**

VP Bateman discussed the 2017 fundraising highlights to include: \$17.2 million raised in new gifts and commitments, \$14.32 million in cash-receipts, the largest number of \$1000+ unrestricted donors in the Endowment's history, and more than 1,000 new donors to the Endowment and AOG. More than \$50,000 has been raised for the Long Blue Line Endowment. The 2017 fourth quarter was the best fundraising quarter in the Endowment's history with \$10,774,848 in new gifts and commitments. Over \$975,000 in cash receipts was raised for the AFA Fund, and 23 gifts of over \$50,000 or more were given in fourth quarter.

VP Bateman then discussed the Campaign planning, proposed timeline, and goals. She stressed the importance of establishing a culture of philanthropy among the USAFA community. The quiet phase will take place over the next three years with the public launch in 2021 (depending on the on the tenure of the current superintendent). The Campaign will conclude in 2024. When asked about how the USAFA Endowment would talk to all the foundation chairs about priorities, she said she would suggest a foundation roundtable in February. She added that the priorities must have a good description so that the Endowment team can articulate them and that we should be thinking about what should go on the list. Priorities will continue to be tested with donors during the campaign's quiet phase before final refinement prior to the public launch.

## **VIII. Executive Session**

The Board went back into executive session at 2:09 p.m. MST.

MOTION: Chair McClain moved and Director Przybyslawski seconded that a Bylaws Review Task Force be established to include Director Gorenc (chair), Director Mueller, and Director Mueh. The motion passed unanimously.

MOTION: Director Rosenow moved and Director Fry seconded the duration of the new contract for the AOG CEO Marcolongo be from 1 July 2018 to 30 June 2020. The motion passed unanimously.

MOTION: Director Fry moved and Director Tonneson seconded that the AOG CEO compensation package be approved as discussed. The motion passed unanimously.

SENSE OF THE BOARD: Chair McClain took a Sense of the Board about the statement: “We will not be reaching out and asking questions about Single CEO to large groups of folks until this Board has agreed to the plan that was discussed and the Single CEO Agreement has moved forward with the Endowment.” Twelve Directors agreed with the statement and one disagreed (Director Munson).

## **IX. Open Session**

The Board went into open session at 3:50 p.m. MST.

## **X. AOG Update:**

### **a. Staff Update**

CEO Marcolongo provided updates on AOG activities in December and January (Attachment 2) to include negative items impacting the Academy (*CBS This Morning* segment, cadet cases, and investigation results) and the impact of the government shutdown on athletics. He then discussed manning including current internal needs (stewardship and heritage) and external needs (young alumni engagement). For future needs, he talked about an accounting clerk and the fact that the AOG needs a “game changer” person—someone who can spark progress on a number of fronts.

CEO Marcolongo then turned to finance where he highlighted two areas to notice: 1) revenue/expenses and the budget impact, and 2) unrestricted undesignated vs. unrestricted designated funds. The grant subsidy was estimated at a \$220,000-\$240,000 shortage, but now is estimated at less than \$110,000. He will likely execute a first draw on the Long Blue Line Endowment in June. He brought up a topic for discussion between the CEO and Finance Committee concerning the board-designated funds and whether the amounts and purposes are correct and whether the “uses” are broad enough.

### **b. Operational Plan Mid-Year Report**

CEO Marcolongo provided a midyear report on the FY18 Operational Plan (also in Attachment 2). He has made good progress on completing relevant items from the

Three-Year Plan to include: 1) locating more interest groups to benefit from Affinity Group status; 2) introducing programs to connect first class cadets to chapters near their first duty station; and 3) increasing graduate awareness of Career Services, webinars, and one-on-one counseling. The AOG continues to work on producing and disseminating news items about existing Affinity Groups and a social media program to engage new graduates. Under the area of increasing cooperation and synergy between the AOG and USAF Endowment, the AOG has: 1) developed a process to integrate Major Gift Officers with AOG chapter events in various regions, 2) increased the partnership between respective parent coordinators, and 3) has co-branded and planned with both the USAFA Endowment and the Athletic Department to maximize engagement. The AOG is working on a new initiative to include the soft launch of the first stage of the Business-Centric Graduate Interaction, a tool which provides the ability for graduates to find other graduates who own businesses. The AOG is also working with the USAFA Endowment to offset operational costs such as finding a donor/sponsor to cover costs of printing and shipping *Checkpoints*.

**c. Quarterly Financial Update**

The Finance and Investment Committee has reviewed the quarterly financial update. Specific details of the AOG's financial position, operating statement of activities, statement of cash flows, and cash-basis operating statement of activities can be found in Attachment 3. CFO Parrish presented several slides graphically depicting performance over time to include the annual time-weighted returns vs. balanced index; cumulative time-weighted returns vs. balanced index; and FY 2012-17 comparisons of total assets, net assets, cash-basis sales of investments, cash-basis subsidy from the USAFA Endowment, and cash from operations.

**d. Restricted and Board-directed Funds Review**

Director Fry noted that there has been improvement in this area over the past year. CFO Parrish noted that the AOG has received a full gift opportunities list from the Academy, which will help the AOG to identify where the AOG can use funds to support the Academy. Thus far in FY2018, 46 funds have been awarded or gifted for a total of \$1,773,574 (Attachment 4). These funds include the three remaining campaign funds, eight donor restricted funds, 16 quasi-endowment funds, and 19 endowment accumulated earnings. CFO Parrish updated the Board on stewardship reporting to donors/representatives. He noted that 13 donors/representatives received mailed letters, but eight quasi-endowment or true endowments have no contact information. They are actively pursuing this.

**e. CEO Monitoring Reports**

CEO Marcolongo noted that the four monitoring reports are available to the Board for reading (Attachment 2). He specifically discussed Executive Limitation 2.7, Emergency Executive Succession, and the fact that over the past six months three Board members had mentioned that they thought he was in non-compliance. CEO

Marcolongo wondered where the members thought he was in noncompliance so that he could make changes. There are four AOG staff members who he feels meet the criteria for emergency succession. Chair McClain believes CEO Marcolongo is in compliance and pointed out that the successors do not need to be graduates.

## **XI. Committee Updates**

### **a. Nomination Committee**

Committee Chair New indicated that last year the Nomination Committee wrote the procedures for the nomination process which included the stipulation that it be periodically reviewed. The committee did so and did not recommend any changes.

VP Simon discussed the timeline and rules for the AOG election in 2019 (Attachment 5). He indicated that the rules, policies, procedures, and electronic ballot will be the same as in the previous election. There will be eight Director vacancies including two that will reach their term limits. According to the Bylaws, we need two candidates per vacancy. The application deadline is 1 October 2018. Voting for Directors will be from 4 February-4 March 2019, while voting for other issues will be from 4 February-18 March 2019. The Nomination Committee will have the proposed criteria ready for the Board's review at the May Board meeting. They will then work on coming up with names for the August meeting.

MOTION: Director Munson moved and Director Dudley seconded that we approve the election schedule as briefed with the six-week window. The motion passed unanimously.

### **b. Distinguished Graduate Committee**

Committee Chair Rank, CEO Marcolongo, Erv Rokke '62, Ron Yates '60, and Dick Schlosberg '65, were part of the selection committee. They scored the records of the 19 impressive candidates and decided on Steve Lorenz '73, T. Allan McAtor '64, and John Fox '63 as this year's award recipients. The nominees can be looked at for three years. The committee thought that having continuity on the selection committee was important. They also want a more consistent format to make scoring more consistent and equitable. Committee Chair Rank suggested creating a form with categories with bullet points, and then 200 words of narrative. Chair McClain said the Distinguished Graduate Committee was free to rewrite the policies regarding format.

### **c. Audit Committee**

In the absence of Committee Chair Strebe, the liaison to the committee, Director Fry, indicated that the IRS Form 990 has been posted for the Board's review prior to it being filed/made public.

**d. Heritage and Traditions Committee**

The Heritage and Traditions Committee had been asked during the December 2017 Board meeting to look at whether there needed to be more in-depth instructions on the approval process for the War Memorial on the AOG website. The AOG website shows the names and criteria and has a link for additional information through the Friends of the Library. Committee Chair Mueller reported that the sense of the committee was that too much information was overkill. He noted that we have a good process on future deaths; the issue is more about graduates who have died in the past. The AOG needs to clean up the policy a bit, but the website is accurate enough and includes contact information for questions.

**e. Finance and Investment Committee**

Committee Chair Fry indicated that the Finance and Investment Committed discovered that the last update to the AOG RESERVE, making it a separately invested and tracked fund, caused a slight error in the wording in our investment policies (Section 2.4 of the Financial Management and Investment Policy (FMIP)) and the allocation of assets. The committee proposed the following motion to correct this (changes are italicized). The charts of the minimums, maximums, and strategic targets remains the same.

MOTION: The Finance and Investment Committee moved to amend Section 2.4 of the FMIP “Guidelines and Investment Policies” to read: Endowment and Combined Agency/Restricted asset allocation guidelines are: These guidelines are to be applied to the Core Investment Portfolio/*Long Term Portfolio* (the total investment portfolio less *the AOG RESERVE and the Short-Term Account*). The motion passed unanimously.

**f. Governance Committee**

At the December 2017 Board meeting, Chair McClain had asked the Governance Committee to revisit the idea of rewording the Executive Limitations in the positive. In the absence of Committee Chair Moorhead and Director Gunn, Director Munson updated the Board on the Governance Committee’s work. Director Munson had provided the committee with the pros and cons of restating the Executive Limitations as Executive Directions. Director Gunn, who had originally reworded the Executive Limitations in the positive, had informed the committee that after reviewing the material Director Munson sent, he felt that they should not be restated in positive terms and that he would withdraw the motion. The remainder of the Governance Committee concurred, thus the committee’s recommendation is to leave the Executive Limitations as is. The Board members unanimously agreed to leave Chapter 2, Executive Limitations written as is.

Director New is to look at the Board Strategic Plan, paragraph 4.4. and Table 2 on the Board calendar for the May meeting. Director Mueh volunteered to look at Chapter 3 in the AOG Policies and Procedures Manual and recommend any changes.

Chair McClain then talked about the AOG Board calendar dates for 2018-2021. There had been some discussion about the close meeting dates in December and February, thus the new calendar has meetings in November. The proposed calendar has been deconflicted with what is going on with the AOG staff and Falcon Foundation meetings. It is also deconflicted with Veteran's Day.

MOTION: Chair McClain moved and Director Rock seconded that the Board approve the new meeting schedule. The motion passed unanimously.

**g. Awards and Recognition Committee**

Committee Chair Rock gave an update on the award we had previously been referring to as the Distinguished Achievement Award. At the December 2017 Board meeting, the Awards and Recognition Committee had been asked to come up with a more definitive set of criteria for the award. The committee has had much discussion on the name, but has not yet finalized their recommendation. She outlined the criteria and the selection process as shown in Attachment 6. This award does not need to be given each year and there is not a cap on the number of awardees. The committee requested the Board's concurrence to move forward with the award and to continue to work with SVP Grubbs and her staff to figure out the greater details of how to implement the program. They will also come up with a suggested name.

MOTION: Director Rock moved and Director Mueller seconded that the Board approve the Distinguished Achievement Award and allow the AOG staff to carry out actions in support of this program. The motion passed unanimously.

**h. Athletic Liaison Committee**

Director Dudley provided an overview of the Athletic Liaison Committee. They will meet with the Athletic Director (AD) on 8 February for their semi-annual liaison meeting. The one agenda item so far is the action item they were given from the Heritage and Traditions Committee to establish an ongoing agenda item to ensure the committee and the AD talk about heritage in the upcoming Falcon Memorial Stadium. Director Mueh has already talked to the AD and they are in favor of us having participation with input. The Committee considers the action item closed.

**XII. Class Advisory Senate Update**

Director Dudley indicated there were two new senators: Tom Berry '71 and Wayne Kellenbence '78. At their January meeting, the guest speaker was the Commandant. They invited SVP Grubbs and other to use the CAS as a focus group to discuss potential changes to upcoming class reunions. The CAS has provided the AOG with written feedback on how the graduate community feels about the proposed changes. He invited Board members to attend future CAS meetings.

### **XIII. Adjournment**

Chair McClain thanked everyone for their work. She adjourned the meeting at 5:06 p.m. MST.

Note: Portions of the minutes have been rearranged from the time sequence to topical sequence.

Respectfully submitted,  
Virginia Caine Tonneson, Secretary

Atch:

1. 1 December 2017 Meeting Minutes
2. CEO Brief to the Board of Directors
3. Quarterly Financial Update
4. Restricted Funds Review
5. 2019 AOG Election Presentation
6. Award and Recognition Committee Presentation